



SEATTLE CITY COUNCIL

June 26, 2017

Mayor Edward Murray
City of Seattle
600 Fourth Avenue, Floor 7
Seattle, WA 98104

Re: Proposed KeyArena Redevelopment

Dear Mayor Murray:

We appreciate the time and effort you and your staff have devoted to the possible redevelopment of KeyArena at Seattle Center into a world-class, multi-purpose sports and entertainment facility.

We look forward to receiving your proposed legislation. Be assured that we will review and act on that legislation consistent with our statutory and fiduciary obligations. Since KeyArena is a City-owned facility, we have a responsibility to protect and enhance this significant asset for the benefit of the people of Seattle and the region, both for the present and for years to come.

Your team's memo dated May 31, 2017 (Attachment A), the Community Advisory Panel's *Final Summary Report and Observations* (Attachment B), and the Uptown Alliance letter of June 1, 2017 (Attachment C), identified significant strengths and weaknesses in the KeyArena proposals submitted to the City. We understand that your staff will spend the summer negotiating a detailed Memorandum of Understanding (MOU) between the City and the Oak View Group. We hope this MOU will establish a framework to resolve the questions and concerns raised during the RFP process in the final development and lease agreements.

The Council's consideration of the MOU and authorizing legislation will, of course, determine whether and how the KeyArena redevelopment project integrates with the broader opportunities presented at Seattle Center. The MOU should provide a roadmap to address the following points which will be focus of our review:

- **Seattle Center Integration:** How the project contributes to the urban fabric and state of the art high-tech programming at Seattle Center, including how existing arts, music, theater and other organizations are served. With respect to existing tenants, a City goal should be to minimize disruptions to them caused by the redevelopment.

- **City Investments:** How municipal taxes generated by activities at KeyArena are used to meet City needs at Seattle Center and in adjacent neighborhoods, specifically public safety, parking and traffic enforcement, and the arena's long-term capital needs.
- **Due Diligence:** Whether financial protections sufficiently address the potential for cost overruns, bankruptcy, and other unforeseen circumstances; the financial viability of Oak View Group and their principal investors; and the reasonableness of the various financial models and forecasts prepared by Oak View Group.
- **Operations & Maintenance:** Whether the proposal meets high quality, sustainable, day-to-day maintenance, facility management, and operational concerns.
- **Transportation:** How area transportation management addresses neighborhood and city-wide needs, including specific measurable outcomes and performance reviews, innovative mobility strategies, and the impacts on adjacent neighborhoods. The Council will pay close attention to public/community benefits and may host a transportation charrette to give stakeholders an opportunity to influence the project's transportation management plan.
- **Equitable Opportunities:** How the proposal involves current and future workers at the facility, including employee protections and representation as reflected in a comprehensive labor peace agreement. Council will evaluate the project's approach to business owners from under represented communities; the City's Priority Hire policy objectives; and plans to involve small and locally-owned businesses in delivering concession and products and other similar services at KeyArena.

The above list is not exhaustive, but represents the currently identified major issues.

To help us review your proposed legislation and MOU, the Council intends to retain an independent consultant with expertise in developing world-class municipal arenas, especially as it relates to risks associated with the financial terms and conditions, municipal financial protections, and the Oak View Group's expertise and wherewithal to successfully complete the project. This independent review could include whether or not Oak View Group and its investors have the financial standing, creditworthiness, and corporate structure necessary to ensure that it can deliver on its commitments.

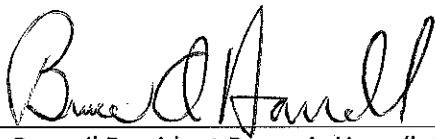
Given Council's other responsibilities and time constraints, we request that you transmit any negotiated MOU by September 12, 2017. This would allow the Select Committee on Civic Arenas to hold at least one public meeting before Council begins deliberations on the City's annual budget. In order to help meet this schedule, we understand that you have agreed to make all information related to these negotiations fully available to our Central Staff Director

Kirstan Arestad to allow for Council's timely consideration of the matter and minimize duplication of efforts.

We look forward to carefully reviewing your legislative proposal and working with you to make certain Seattle Center becomes even more successful, vibrant and a contributing part of the City and surrounding neighborhoods.

Please don't hesitate to contact the co-chairs of our select committee should you have any questions, and thanks again for your hard work to revitalize Seattle Center.

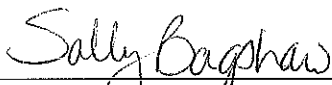
Sincerely,



Council President Bruce A. Harrell, Co-Chair,
Select Committee on Civic Arenas



Councilmember Debora Juarez, Co-Chair,
Select Committee on Civic Arenas



Councilmember Sally Bagshaw



Councilmember Tim Burgess



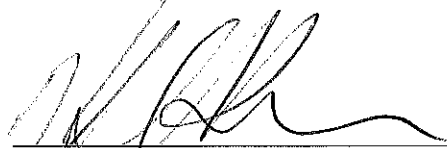
Councilmember M. Lorena González



Councilmember Lisa Herbold



Councilmember Rob Johnson



Councilmember Mike O'Brien



Councilmember Kshama Sawant

Attachments:

- A. Mayor Briefing Memo – Arena Recommendation
- B. Community Advisory Panel Final Summary Report and Observations
- C. Uptown Alliance Letter

cc: Kirstan Arestad, Central Staff Director
Dan Eder, Central Staff Deputy Director
Brian Surratt, Office of Economic Development Director
Ben Noble, City Budget Office Director

Attachment A - Mayor Briefing Memo - Arena Recommendation



City of Seattle
Mayor Edward B. Murray

Date: 5/31/2017
To: Mayor Edward B. Murray
From: Brian Surratt, Director, Office of Economic Development
Author: Karl Stickel, OED

SECTION A: OVERVIEW OF THE ISSUE

Topic/Issue Title: Arena Recommendation

Please select one Briefing Function:

Briefing Function	☒
General Update Only	☐
Key Policy Impact/Change	☐
Financial Permission Required	☐
Delivery of Information Requested from Mayor or E-Team	☒
Direction needed on next steps	☐

Objective of this Briefing:

A briefing on the preferred alternative for the redevelopment of KeyArena.

Summary of Topic/Issue:

The Executive Review Team recommends the Oak View Group's proposal (\$564M) for the Mayor's consideration. Additional briefings for further actions are already scheduled.

Background:

On January 11, 2017, the City released an RFP for the redevelopment of KeyArena. Proposals were submitted on Wednesday, April 12, 2017. OED received two proposals totaling more than \$1 billion in combined investments proposed by two developers – Oak View Group and Seattle Partners (AEG and Hudson Pacific).

To evaluate the proposals, the City created a three-pronged approach: 1) convening a Community Advisory Panel to offer their advice and observations to the Mayor on strengths and areas of concern for the responses to the RFP; 2) coordinating City Staff Review Teams to provide a detailed analysis of the proposals as they relate to the City's objectives; and, 3) having an Executive Review Team evaluate the City Staff Review Team recommendations and consider the advice from the Community Advisory Panel before making their recommendation to the Mayor. This briefing memo reflects the Executive Review Team's recommendation.

Recommendation:

The first significant point we've learned is that the KeyArena site is a viable and important site for redevelopment, not only for Seattle Center and the City, but for the Uptown neighborhood as well. The two KeyArena proposals represent strong, sensible offers to redevelop the site and we believe this effort to redevelop KeyArena is the appropriate path for the City to undertake.

As you know, the City recently commissioned a comprehensive study on the cost to fix up KeyArena. The final report, published in June 2015 by the AECOM architectural firm, estimated \$100 million cost for minimal KeyArena upgrades, with a more likely cost of \$150 million+ to repurpose the venue into something that will break even financially. With the current SODO MOU silent on this cost issue, the City rejected the idea of having two venues as not financially viable. Therefore, having one world-class civic arena serving the region for concerts, entertainment, and NBA/NHL sports is in the best interest of the City and the arena at Seattle Center is the overwhelmingly preferred site.

The importance of a strong and lasting design, supported by significant financial resources, and a solid commitment to the community are paramount to selecting a preferred alternative. The Oak View Group (OVG) offers a strong design, backed by an experienced project team with extensive background in music/entertainment and professional sports to provide a world-class arena. OVG and its partners have a strong financial background and aimed to minimize the City's financial participation as requested in the RFP. OVG has committed to the goal to retain all leadership and staff members that work at the arena. They have also committed to support and implement local hiring practices and set defined minority and local hiring goals that reflect the diversity of Seattle. OVG will establish a \$20 million community fund, with YouthCare getting \$10 million for supporting homeless youth. Further, we believe OVG's experience, resources, and connections, will provide the city with its best opportunity to secure an NHL and/or NBA team.

For these reasons, we recommend the Oak View Group as the preferred Proposer to redevelop KeyArena.

As with any proposal, there are concerns the City will need to consider when negotiating with the preferred Proposer:

- *Transportation*: Neither proposal held a strong transportation package or funding, and, it would seem that the Proposers left this to the City to stipulate the details of transportation improvements. The City will need to decide what transportation and mobility improvements make sense for the area and what portion the OVG redevelopment should be responsible for.
- *Financial/City Revenues*. The City will need to confirm a guaranteed baseline revenue (without applying credits or other incentives against this amount) as an annual income stream. Additionally, the City would want a guaranteed baseline of tax revenues, as well as an agreement on incremental tax reinvestment.
- *Neighborhood*. The City and the neighborhood will need to confirm community benefits in an agreement, likely to include transportation commitments for biking and pedestrians, supporting the creation of a community center, supporting the efforts to secure a school, helping to designate Seattle Center as an Art District, and their commitment to preserving the historic nature of the arena.

OVG Specific Analysis

Oak View Group (OVG) and its partners (i.e. Madison Square Garden Company) appear to have the experience, capability, and resources to contribute significant equity and secure the financing it requires to provide a world-class civic arena. While OVG is a relatively new company, its principals, partners, and lender have decades of experience building, operating, and financing comparable world-class arenas with municipalities in the U.S. and around the world. The City has also had the benefit of working directly with the principal owner of OVG, Tim Leiweke, on his company's proposal.

Design is a strength of the OVG proposal – it meets NHL/NBA standards, provides for a flexible approach to adjust to future changes, and maintains existing roofline completely which puts forward a true historic preservation design option for the Arena that would likely meet federal standards. While OVG maintains the historic roof, they completely gut and remodel the interior, with a full rebuild of the lower and upper bowl—offering what seems to be a new arena under the historic roof. The design also offers some surety that the aesthetic and scale of the new Arena will integrate well into the Seattle Center campus and Uptown neighborhood.

From a financial standpoint, OVG's principals' experience and financial support from the Madison Square Garden Company give OVG and its partners an excellent chance to secure the construction and long-term debt necessary to construct and operate the arena. A major strength of OVG's construction financing proposal is that it does not require an upfront infusion of City dollars (i.e. no bonds issued or new taxes proposed). Construction financing is private equity

focused and private debt issuance. Goldman Sachs would finance the debt. OVG creates a capital reserve fund for maintenance and capital improvements to the building. They would initially contribute \$1 million upon completion of the arena and add \$1 million annually, up to the balance of \$5 million.

OVG provided a good, overall transportation analysis of the existing transportation conditions and ideas for mitigating potential transportation issues. OVG pledged to hire full-time community liaison to help with managing traffic and parking issues as they arise. OVG provided an analysis of use of existing and dispersed parking garages identifying more than 11,000 stalls within a 3/4-mile radius of Seattle Center. OVG also suggests making Westlake Monorail station improvements to accommodate more mass transit riders to and from Seattle Center. And, OVG's underground truck loading is a smart improvement over the existing space. OVG is flexible on whether to include the parking garage, in order to alleviate permitting and transportation issues. OVG also promises to provide personnel for traffic management, signage, police presence for event traffic control, and other mitigating measures (such as partnerships/incentives with Uber and Lyft, bike valet service, shuttle service, regional park-and-ride event shuttles, subsidized transit and Monorail fares, subsidized parking in SLU/downtown garages, and marketing/technology solutions).

We understand that OVG will strive to be an integral part of the community and will embrace diversity by using this redevelopment to help the local community and those in need. OVG has made strong commitments to the Uptown neighborhood and to the Uptown Alliance mission. OVG is committed to living wage, local hiring, WMBE participation, apprentice programs and local hiring diversity initiatives. OVG commits to relocating tenants or helping them with relocation costs, or, if appropriate, accommodating tenants on the site. They will accommodate the Seattle Storm and Seattle University agreements at KeyArena.

OVG will establish a \$20 million community fund, with YouthCare getting \$10 million for supporting homeless youth. OVG proposes to retain leadership and staff personnel at KeyArena, as well as implement a local hiring practice through a Community Workforce Agreement.

From the music standpoint, the ability to program a robust mix of music and entertainment is a strength for OVG, as they have partnered with Live Nation Entertainment, the global leader for live entertainment. Live Nation has consistently brought the highest-grossing shows and the greatest number of shows to KeyArena for the past 10 years, and by a large margin over their closest competitor, AEG Presents. Live Nation Entertainment is also the parent company of Ticketmaster, which is the world's leader in annual live event ticket sales and is the primary ticket seller for 27 of the 30 NHL teams and 28 of the 30 NBA teams.

Seattle Partners' Proposal Challenges

In evaluating the Seattle Partners' redevelopment proposal, there were three main issues that continued to be problematic for the proposal and Proposer:

- Public Financing. A weakness of Seattle Partners' construction financing proposal is that it requires significant City financial participation, an upfront infusion of City dollars from the issuance of bonds. To benefit from the relatively lower cost of financing, these bonds would need to be issued with the full faith and credit of the City. The proposed \$250 million in bonds with a 30-year term would be the largest debt offering in the City's history. Also, Seattle Partners has established a new LLC to be the proposer on the redevelopment – this new company does not have any history and the City does not know the extent to which the principals will guaranty the financial proposal.
- Design. This is an area of weakness for Seattle Partners in comparison to OVG. Seattle Partners has expanded the existing KeyArena to accommodate hockey to the south; however, many of the patron amenities remain hamstrung by the 1995 geometry which is essentially intact. Seattle Partners has not added the variety and flexibility of spaces that OVG has with the expansion of the floor plate. Seattle Partners has maintained 58% of the concourses and in doing so has kept many of the constraints that were issues from the 1995 KeyArena remodel: narrow upper concourses, more limited concession offerings and limited club spaces with sightlines in the bowl.

There is also a strong possibility that AEG's proposed Arena design would not meet federal or local landmark preservation standards. The extension of the roofline falls out of line with what was asked for in the RFP, as the City asked for either a tear down/rebuild or a design that is respectful of the existing historic roofline.

RSJI Analysis & Implications:

OVG believes that diversity of thought, background, and experience cultivate vibrant communities and thriving businesses. This project will be built and operated by persons who reflect the diverse communities Seattle. OVG will prioritize hiring local minority businesses and workers to design, build, operate, and maintain the arena.

With input from the City, OVG will establish metrics and targets that define a percentage goal for inclusionary hiring practices. OVG is looking at both state and local benchmarks to arrive at defined percentage goals, and will partner with the City's Race and Justice Initiative to ensure our policies and practices promote racial and socioeconomic equity.

OVG will have a full-time position dedicated to community outreach and equitable hiring. This person will work with Tabor 100, the City, and other community organizations to promote racial and socioeconomic justice, and to engage with and to inform Women and Minority Business Enterprises about contracting opportunities. OVG will provide access to bidding for WMBEs. OVG will work with the City to designate priority zip codes to define areas that the City identifies as needing additional support in hiring efforts.

OVG looks forward to working with the Seattle Chamber of Commerce, other regional chambers of commerce, Washington RoundTable, Seattle Rotary #4, the Northwest Minority Business Council, the Breakfast Group, the Urban League of Metropolitan Seattle, and other community organizations to develop a comprehensive labor agreement that creates tangible inclusion goals and policies that allow for women, minority, and LGBTQ persons to be fully represented in the workforce. Additionally, OVG will engage in efficient and effective outreach to priority zip codes and other underrepresented groups that will have priority access to hiring for the project both in the preconstruction, construction, and operations phases.

Seattle Values

Seattle is a city of rich diversity and we pride ourselves on the values we instill in our policies and practices, particularly socially responsible business practices. AEG is a subsidiary of the Anschutz Corporation, a privately held company lead by Philip Anschutz, who is known to fund ultra-conservative causes. According to numerous media outlets, Mr. Anschutz is known to have spent money to fight against civil rights for the LGBTQ community, supports the Institute for American Values -- which calls single parents "immoral," funds organizations that fight evolution and the teaching of evolution in schools, and denies climate science and promotes climate-change skepticism.

Key Policy Issues:

- **Leverage** – Once an announcement is made public, the City loses its bargaining leverage between the proposals.
- **Negotiation Terms** – OED will draft negotiation terms for the Mayor's review. Also, OED will set up a Negotiation Team and have the Mayor's Office as part of its Client Group, providing guidance on the negotiations as the City moves forward with terms for an MOU. Terms will likely include:
 - Transportation and mobility improvements
 - Confirmation of guaranteed City revenues/taxes
 - Commitment to the Uptown/Belltown/South Lake Union Neighborhoods
 - Further financial due diligence
 - Commitment to supporting Seattle Center and its tenants
- **Council Engagement** – How to best involve the City Council during the negotiation process so that a binding MOU will be completed and approved by year-end.

Indicate Legislation and/or Council action:

Arena Resolution – This legislation would reference the City’s selection of its preferred proposal, request Council guidance as we start the negotiation process, and have the Mayor’s notification letter attached.

July 7th – The Select Committee on Civic Arenas will meet to discuss the Mayor’s preferred Proposal.

Following the legislation and briefing, the next Council action will likely be the Landmark Board’s recommendation to the City Council on the criteria for the KeyArena redevelopment site. These criteria are called Controls and Incentives and will determine what can and cannot be changed for each building. Finally, the City Council will review and adopt the MOU in December 2017, and finally, a Development and Lease Agreement the Executive negotiates with the Proposer.

Please give a brief overview of any financial impacts:

OVG aimed to minimize the City’s financial participation as requested in the RFP. However, there is a request for City reinvestment of the incremental tax revenue derived from the arena, which would be invested annually.

On the revenue side, the City would generally receive the same level of tax revenues it currently receives, OVG would also provide the same level of parking revenue (based on average prior years 2014-16, adjusted for inflation) but the taxes and parking revenue amount above that would be invested into the project or captured by OVG. Net income from the redevelopment site is not replaced, although about half of the amount is repaid with a “credit” from incremental taxes. If the proposal is selected, there may be an opportunity to further refine the revenue streams.

Proposed timeline and schedule:

5/31: Deliver recommendation to Mayor
6/1: 2nd Meeting with EBM: Communication/Roll-out
6/2: Final Arena Community Advisory Panel meeting
6/7: EBM Announces Winning Proposal

Supporting materials:

Document Name	Document Type (PDF, Word, Excel...)
1) Notification Letter draft	PDF
2) Resolution draft	PDF

This document, and attached supporting materials, has been sent to relevant CBO/OPI staff, Operations Manager(s), and E-Team Lead (as applicable) 72 hours prior to submission to MO Briefings. ☐

Please check all that may apply to this submission:

Public Rollout Involving the Mayor	☒	Public Event Already Scheduled	☐	Legal Review Required	☒
Legislation (to write, transmit, etc.)	☒	Significant Budget Impacts	☒	Operational Support Required	☐
Communications Strategy Needed	☒	Significant Policy Impacts	☒	IDT or Cabinet Involved	☐
Council Briefing Upcoming	☒	SLI Response Due to Council	☐	Other (Specify in Summary)	☐

SECTION B: BASIC INFORMATION

1. Name of Submitter: Karl Stickel

2. Department Origin of Submission: OED

3. Please list all departments involved or impacted by this issue: MO, OED, CBO, CEN, LEG, SDOT, SDCI, OPCD, DON, SDHR, SOCR, FAS, OPI, LAW, OIR

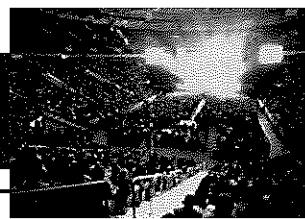
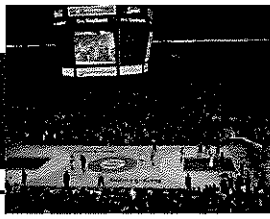
SECTION C: KEY STAKEHOLDERS

TYPE OF STAKEHOLDER	FIRST NAME, LAST NAME	DEPARTMENT
Mayoral Executive Team Stakeholder/Lead:	Ben Noble, Director of City Budget Office	MOS
<u>Operations Manager:</u>	Maggie Thompson, External/Community Services	MOS
<u>CBO Lead:</u>	Catherine Cornwall	CBO
<u>CBO Analyst(s):</u>	Michael McVicker ; Choose an item.	CBO
<u>OPI Policy Analyst(s):</u>	Quinn Majeski	OPI
<u>Department Director(s):</u>	Brian Surratt, Robert Nellams	OED, CEN
Departmental Staff Stakeholders	Karl Stickel, Rebecca Lovell, Joe Mirabella	OED
Departmental Pipeline Liaison(s):	Danielle Hursh	OED

EXECUTIVE TEAM/PIPELINE BRIEFING ADVISOR USAGE ONLY:

Recommendation	✓	Notes
Concur/Proceed	☐	
Follow-Up Needed	☐	
EBM Briefing Required	☐	
E-Team Briefing Required	☐	
MOS Staff Lead		

JUNE 2, 2017



ARENA COMMUNITY ADVISORY PANEL

FINAL SUMMARY REPORT AND OBSERVATIONS

COMMUNITY ADVISORY PANEL

Final Summary Report and Observations

June 2, 2017

ARENA COMMUNITY ADVISORY PANELISTS

Deborah Frausto, Uptown Alliance

Ollie Garrett, President, Tabor 100

Nicole Grant, Executive Secretary, King-County Labor Council

Todd Humphrey, Co-Founder and Chief Commercial Officer, League Inc.; former professional hockey player

Megan Jasper, CEO, Subpop Records; Seattle Music Commission

Jan Levy, Executive Director, Leadership Tomorrow; Chair, Seattle Center Advisory Commission

Jill Nishi, Director, Strategy Planning & Management and Chief of Staff, Bill and Melinda Gates Foundation

Rico Quirindongo, Architect, DLR Group; One Center City Advisory Group

Ethan Stowell, Chef and Owner, Ethan Stowell Restaurants

Lenny Wilkens, Legendary Sonics Coach, Three-Time Basketball Hall of Fame Inductee

CITY EXECUTIVE AND STAFF TEAM

Brian Surratt, Director, Office of Economic Development

Robert Nellams, Director, Seattle Center

Ben Noble, Director, City Budget Office

Karl Stickel, Project Manager, KeyArena Redevelopment, Office of Economic Development

Danielle Hursh, Executive Assistant, Office of Economic Development

Penelope Koven, Administrative Assistant, Office of Economic Development

Findings and Observations

Thank you for the opportunity to have served on Mayor Ed Murray's Arena Community Advisory Panel (the "Panel") to review the proposals to redevelop KeyArena at Seattle Center. The members of the Panel represent a cross section of Seattle's business, labor, philanthropic, entertainment, sports, residential, and music communities. We are all excited to see the potential development of a new world-class entertainment and sports venue for Seattle and the region.

As an advisory body, our objective was to review the two proposals submitted to the City of Seattle on April 12, 2017. We offer our advice and observations about the strengths and weaknesses of each proposal to the Mayor and his Executive Review Team, as they consider the next steps in selecting a preferred development partner.

As part of our evaluation, we kept in mind the seven City Objectives, as outlined in the City's Request for Proposal:

- Provide a world-class civic arena (the "Arena") to attract and present music, entertainment, and sports events, potentially including NBA and NHL events, to Seattle and the region.
- Provide for design, permitting, development, demolition, and construction of the Arena (the "Project") with minimal City financial participation.
- Provide for the continuous, successful, sustainable operation of the Arena as a world-class civic venue with minimal City financial participation.
- Provide for mitigation of transportation impacts due to Project construction and Arena operations.
- Provide Project construction and Arena operations in a manner that is equitable for workers and consistent with the City's Race and Social Justice Initiative.
- Provide for design and operational integration with Seattle Center, contributing positively to the vibrancy of Seattle Center.
- Provide for Project design and Arena operations in a manner that integrates with and enhances connections to Uptown and adjoining neighborhoods.

The City received two proposals totaling more than \$1 billion in combined investments from two developers – Oak View Group ("OVG") and Seattle Partners ("SP"), a partnership with between AEG and Hudson Pacific. We heard presentations from both proposers, reviewed the analysis of the City of Seattle's Staff Review Team, and discussed the two proposals with the City's Executive Team Review Team.

From this process, the Panel believes that a redeveloped Arena is viable, and, if executed well, will be a critical asset for the region. The two Arena proposals represented strong offers to reimagine the Arena, and we believe the effort to redevelop the Arena is an appropriate path for the City to undertake.

Seattle values are important to the Panel, particularly with respect to equity, racial and social justice, inclusive processes, commitment to workers, and support for women and minority-owned businesses.

We have concluded that both bidders have the resources and expertise to redevelop and operate the Arena, of course, each with its strengths and weaknesses. Given that, we considered the following questions for each Proposal:

- 1) Do you feel this is a world-class arena design that will stand the test of time?
- 2) What is the "risk" to the City?
- 3) Is this a company we want to be a partner with for the next 50+ years?
- 4) Does the company understand the community (culture, neighborhood, and Seattle Center campus), and/or have the interest in better understanding it?
- 5) Do you have other comments to bring to the Mayor's attention? (For instance, are there 1-2 items you would like to see changed in the Proposals?)

Based on the information gathered from these questions, we have several observations for the Mayor's consideration. Below is a summary of our collective responses to these questions:

1) Do you feel this is a world-class arena design that will stand the test of time?

The Panel members believe that OVG's Arena building design is the stronger of the two proposals. Key elements supporting this observation is that OVG presented a much better job of respecting the integrity of the historically relevant roof-line and current building, ensuring the hockey and basketball court centerlines are in-line with the center of the building, and introducing innovative scoreboard screens at either end of the court and ice rink. Proposing to dig down 15 feet allows OVG to achieve the added seats needed and right space configuration. Furthermore, according to industry experts, OVG's design appears more flexible for achieving current and future arena standards.

The SP building design distorts the iconic arena roof design which may make it difficult surviving the landmark process and provides concerns with its less than optimal site lines and fan experience because of how the center court and rink is off-center from the dominating interior roof structure.

2) What is the "risk" to the City?

The Panel suggests that the City develop performance criteria as an exhibit of any final contract or memorandum of understanding which obligates the developer to specific financial performance metrics, transportation performance goals, urban planning requirements, community benefits, and other goals critical to the successful redevelopment of the Arena.

Financial:

The Panel believes that OVG presented a more feasible financial proposal for the City by using private equity and debt funds for construction and creating an ongoing capital reserve fund for long-term maintenance.

SP, on the other hand, requested financing through the City's public bonding capacity, which lowers SP's cost of capital to support the Project. Given the general public's concerns about the use of public financing, the Panel acknowledged that it is far more challenging to use the City's bond capacity to finance the arena.

Overall, while the financing *sources* may be different between two bidders, the financing models of the two projects are very similar: both assume incremental new tax revenues to pay down the cost of financing the arena's redevelopment.

Arena Design:

To maximize our ability to bring back the Sonics and attract the NHL, the Panel wants the final Arena design to meet NBA and NHL standards. In consultation with industry experts, the SP arena design does not seem optimal for professional sports viewing, while the OVG design appears to make the most of the fan viewing experience. The Panel was generally content with the music and concert design for both proposals.

Transportation:

Overall, the Panel believes neither proposal dealt with the transportation issues in a compelling or convincing way. Simply building more parking or identifying existing transportation planning connections is not sufficient. The Panel suggests more innovative transportation solutions are necessary and a solid mobility plan based on performance goals and outcomes should be in place before development agreements are final.

SP's approach to transportation was more holistic and went further in considering future transportation needs including the hiring of a Director of Transportation. OVG focused primarily on addressing existing transportation issues and also included the hiring of a permanent Community Liaison for the project to address transportation needs.

Urban Design:

The Panel believes the exterior design should be integrated with the Seattle Center and the neighborhood and "raise all boats" to improve the urban environment for everyone. There was concern that both plans require work related to the ancillary program components south of the arena and impact the pedestrian experience along all building faces.

SP's urban design was strong, as their proposal integrates well with the area, especially the Thomas Street green walkway. OVG's proposal focused primarily on the arena and

needs more attention to the integration with the Seattle Center and neighborhood. The Panel was also concerned with OVG's proposed 850-stall parking garage.

With either proposal, the Panel is concerned with street use adjacent to the arena and the community impacts, the Thomas Street access (south end) for pedestrians, and what might happen to the west edge of the Arena redevelopment area if we do not invest in this opportunity. Seattle wants the NHL and NBA in our community, but that investment will have a much greater return for community benefit if the Arena is thoughtfully integrated into the existing City fabric and infrastructure at Seattle Center.

3) Is this a company we want to be a partner with for the next 50+ years? Why or why not?

The Panel believes that both groups could be strong partners for Seattle. The new Arena will be a major employer in the neighborhood and the Panel believes both bidders have signaled a commitment to making this project a "worker-friendly" opportunity. As for the ability to accomplish the community goal of bringing back the Sonics and attracting the NHL to Seattle, the Panel believes that both bidders have the relationships necessary with both leagues to accomplish this goal.

SP has the advantage of knowing the neighboring Uptown community based on their existing partnership, especially through AEG's current relationship with Seattle Center. This was reflected in SP's stronger connection with the Uptown neighborhood.

For OVG, the Arena represents an important, signature project for them as a new company. Because of this, most Panel members believe that OVG may be especially motivated and committed to establishing long-term partnerships in Seattle.

4) Does the company understand the community (culture, neighborhood, and Seattle Center campus), and/or have the interest in better understanding it?

The Panel suggested that the developer set specific goals about doing business in Seattle, including worker retention, local hiring, and WMBE goals. Both bidders proposed hiring community liaisons for the project, which the Panel supported.

Seattle Partners (through AEG) is in a better position to understand Seattle's culture from their years working on the Seattle Center campus as well as other venues in Seattle. Their proposal was stronger in their consideration of the neighborhood and the neighboring organizations. And, as noted previously, there was agreement that SP's proposed Arena better integrates with Seattle Center and the neighborhood. However, the Panel raised concerns about AEG CEO Philip Anschutz's alleged support of anti-LGBTQ causes. AEG representatives have shared that Anschutz is not anti-LGBTQ and that the company has nondiscrimination policies in place.

While new to our community, OVG expressed a desire to want to learn more and engage the community. The creation of a \$20 million community investment fund, with YouthCare as their initial partner, demonstrates this willingness. However, OVG needs to better understand the livability needs of the Uptown neighborhood.

5) Do you have other comments to bring to the Mayor's attention? For instance, what 1-2 items you would like to see changed in each proposal?

Design:

- There was Panel consensus that OVG's Arena represents a much stronger design. The overall development proposal would be stronger if they were willing to rethink their exterior plans and how it integrates with Seattle Center and the neighborhood.
- SP's roof design is likely not an acceptable design solution from a historic preservation perspective.

Site:

- The Panel encourages the developer to integrate the plaza next to KEXP, the Vera Project, and SIFF into the project scope.
- The Panel suggests additional urban design needs to be introduced along the west edge of the redevelopment area and along Thomas Street to add life to the street and the pedestrian landscape.

Transportation:

- The City needs to consider a comprehensive transportation and parking strategy in the area surrounding Seattle Center to fully understand the mobility challenges.
- A mobility hub must be developed in partnership with King County Metro, Sound Transit, Monorail, and Cascade Bicycle Club.
- A shuttle system is needed to link the Arena to a series of remotely located parking facilities, and the system should be financially supported by the parking facility owners/operators.
- City should have a dedicated transportation director for this arena project.

Financial:

- Public financing should not be a part of this project.
- A thorough vetting on the revenue assumptions would be important.
- The City should negotiate the baseline tax revenue that accrues to the City on an annual basis. An annual escalator clause to recapture new tax revenue should be considered.
- Any agreement should place the City in a solid financial position, without the issue of cost overruns.

Community/Arts:

- KeyArena is more than a performance center, it is a cherished component of this city and integral component of Seattle Center.
- A new Arena should enhance the Uptown, Belltown, and South Lake Union residents, businesses, restaurants, and theaters.
- The Arena design needs to transcend the physical space and include a way to reenergize the arts and culture community.
- The developer must be committed to the local music community and actively engage in the development of newer and less established artists.
- The developer must be committed to Seattle's values with respect to supporting women and minority-owned businesses, race and social justice issues, inclusiveness in the process, and be present in the Seattle Center and neighborhood community.

Attachment C - Uptown Alliance Letter



UPTOWN ALLIANCE

June 1, 2017

Mayor Edward B. Murray
City of Seattle – Office of the Mayor
600 - 4th Avenue
Seattle, WA 98104

Re: KeyArena RFP Submissions Review

Dear Mayor Murray,

The Uptown neighborhood is in the midst of a dramatic transformation into one of Seattle's most dynamic and welcoming urban neighborhoods. We survived the Mercer St. construction and now, after almost 4 years of intense public involvement, have laid the groundwork through our Urban Design Framework in order to fulfill our vision to:

- Build affordable housing units that include low income, workforce and artist housing right here in this neighborhood - not elsewhere in the City;
- Establish an innovative mobility strategy that puts pedestrians first based on a robust multi-modal transportation system;
- Blend the Uptown neighborhood and Seattle Center by increasing the porosity through improved open space, community gardens and pedestrian and cycling connections; and
- Establish a vibrant arts and culture district that values the unique voice the arts has in transforming community building, economic growth, tourism, racial and social equity, and political effectiveness.

When the City announced plans last fall to seek proposals to redevelop KeyArena into a world class sports and music arena, we saw this as challenging for our emerging mixed-use residential community. Our neighborhood is being asked to absorb the traffic and congestion when full-capacity events expand from about 20 days/year to as many as 100 days/year. That's one out of every three nights on the calendar. So we began to ask:

"How can a re-imagined KeyArena be developed in such a way that doesn't compromise the fabric of our community with its traffic and parking issues but instead support and enhance the vibrancy of the community's vision and goals outlined in the UDF and make Uptown a better place to live and work?"

1. The Proposals

Both the Seattle Partners' and Oak View Group's proposals demonstrate that KeyArena can be designed to physically accommodate the NHL/NBA and headliner music concerts envisioned by the City. But a re-imagined KeyArena is more than a sports stadium/entertainment venue; it is an opportunity to THINK BIG and create a revitalization within the greatly loved Seattle Center and support the vibrancy and livability of Uptown and adjacent communities.

After much study and discussion about each proposals strengths and weaknesses, Uptown Alliance found both proposals lacking in different but fundamental ways and cannot favor one submission over another at this time. Examples of weaknesses include Seattle Partners' proposal suggesting a bonding mechanism that seems politically challenging for this City to accept and a design that does not respect the criteria for this building destined for landmark approval; Oak View's proposal being arena-focused giving little attention to its integration within Seattle Center and ignoring the community at-large as well as sparse details on the newly formed operating company and its values. Both teams have discussed possible addition/changes to their submission.

2. Take the Time Needed to find the Best Partner

Getting two complete proposals on the table provides the best basis to choose which team will make for the best long term partner. The leadership of the City's team under Brian Surrat, Ben Noble and Robert Nellams has been exceptional in creating an environment of open and frank discussions between the multitudes of stakeholders. Let's give staff the best opportunity and resources needed to recommend a Partner who not only brings a shared vision for KeyArena but **who is invested in the well-being of the whole: City, Seattle Center, Community and the Arena.**

To accomplish that we strongly encourage that the City's team prepare an addendum to the Request for Proposals to obtain additional clarification and information from each respondent team to enable the staff to make a more informed decision on recommending a partner for a project of this size and importance. The addendum would, at a minimum, request more information about how the respondents would partner with City, Seattle Center and Community on the following critical elements that we find deficient in one or both of the submissions:

- Company values and experience - How do they align with those of the City, Seattle Center and Community?
- Project financing - How should risks and rewards be strategically shared between all parties on both a capital and ongoing operational basis?
- Innovative mobility plan – How will they collaborate to make sure there is an operational plan in place with emphasis on limiting automobile traffic into the neighborhood before the first game night?

- Project Design – As project designers, how will they partner to be sure their design provides a strong basis for historic designation as well as help activate and integrate into Seattle Center and surrounding Community?
- Vision for Seattle Center – As an active campus resident, what kind of partner will they be in the transformation and revitalization of the campus?
- Community Partner - As an active urban center resident, what kind of partner will they be in supporting the goals of the Uptown Urban Design Framework?

We assume that the City team may have additional issues to add to this list that could be better addressed in an addendum, rather than relying on an informal “back and forth” exchange with the proponents that has been ongoing with staff as well as many community members. We also assume that the timeframe for the addendum process can be as efficient as the RFP process itself.

3. Developing a Vision

In order to fulfill the vision of a successful KeyArena redevelopment and support its integration with the Uptown neighborhood with the support of the community, we need to be sure that critical issues are addressed before arena redevelopment plans are finalized to know how it will work. This is not about waiting for an EIS and taking the necessary mitigation approach.

This is about thinking big and developing a vision that is performance base with goals and metrics that enhances the livability of our neighborhoods with affordable housing and community spaces, supports a successful arena operation and provides meaningful changes to mobility and urban design before and after ST3 arrives.

Our vision includes ideas such as completing and expanding pedestrian and bike connections, Monorail capacity upgrades, shuttles, ride shares and planning for ST3 station integration; community programming that encourages community residents to partake in events without being ticket holders, balances preservation of the iconic roof profile on the arena with facility requirements, better wayfinding and signage through the Center that might expand into the community Arts and Culture district, connecting Key Arena with the new high school to be built at Seattle Center through programming and internships, and substantial financial contributions to affordable housing.

Some of these are already mentioned briefly in the proposals; let’s get more information from the proposers so we can better choose who will build upon a shared vision with the City, Seattle Center and Uptown’s neighboring communities such as Belltown and South Lake Union.

4. Uptown Community as a Partner

Finally, when the City does get ready to enter into the negotiation phase with a preferred development partner, Uptown Alliance fully expects that UDF’s guiding principles will be

honored by the City and by the developer. Specifically, we expect that the Uptown Alliance will be given a seat at the negotiations table for the Community Benefits Agreement to collaborate on all the challenging issues that are critical to ensure the vibrancy and acceptability of this project. We are ready to be an active partner in these negotiations and look forward to sharing our ideas in more detail with all parties.

We believe all this is only possible if it is done as a shared vision between the City, the neighborhoods, Seattle Center and the selected Partner. We cherish the strong bonds that have developed between the neighborhood and Seattle Center and believe the long term success of KeyArena and Seattle Center are integral parts of our neighborhood's future. We look forward to continue building on that strong foundation.

Sincerely,

Deborah L. Frausto

Deborah L. Frausto

Uptown Alliance

dfconsults@comcast.net

UA KeyArena Subcommittee, Chair

On behalf of:

Uptown Alliance Co-Presidents Michael Davis, Rick Hooper, Katie Idziorek and its Executive Committee: Matt Adkins, Maria Barrientos, Robert Cardona, and Deborah Frausto

KeyArena Subcommittee and Urban Design Framework Committee Contributors: Robert Cardona, Michael Davis, Cyrus Despres, Rick Girard, Rick Hooper, Katie Idziorek, Alana Knaster, Don Miles, Matt Roewe, Nancy Silberg

Cc: City Councilmembers: Sally Bagshaw, Tim Burgess, M. Lorena González, Bruce A. Harrell, Lisa Herbold, Rob Johnson, Debora Juarez, Mike O'Brien, Kshama Sawant;

City Staff: Alberta Bleck, Council staff; Samuel Assefa, Director OPCD; Kate Joncas, Deputy Mayor; Jackie Kirn, Office of the Mayor; Karen Ko, DON; Robert Nellams, Director of Seattle Center; Ben Noble, Director of City Budget Office; Brian Surrat Director of OED

Community members: Arena Community Advisory Panel; Danah Abarr, SLUCC; Evan Clifthorne, Project Belltown; Cyrus Despres, Uptown Arts & Culture Group; Marni Heffron, Mercer Corridor Stakeholders Committee; Michael Herschensohn, QAHS; Marty Kaplan, Queen Anne CCLURC; Tom Mara, KEXP; Charley Shore, QACC

KeyArena RFP Submissions Review
June 1, 2017